EX PARTE

United States Telephone Association

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January 13, 1995

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street NW - Room 222
Washington, DC 20554

> RE: **Ex Parte Meeting**
> **CC Docket No. 94-1**

DOCKET FILE COPY ORIGINAL

Dear Mr. Caton:

As requested by the Common Carrier Bureau Tariff Division, attached is a copy of the support documentation for portions of the National Economics Research Associates report, titled "Economic Performance of the LEC Price Cap Plan: Reply Comments" filed with USTA's reply comments in this proceeding.

An original and two copies of this ex parte notice and attachment are being filed in the Office of the Secretary on January 13, 1995. Please include this notice and attached material in the public record of these proceedings.

Respectfully Submitted

Mary McDermott
Vice President -
Legal and Regulatory

cc: Mark Uretsky
Anthony Bush
Alexander Belinfante

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List A B C D E

TABLE 1
INPUT PRICES: 1984-1992

| Year | LEC Industry | | U.S. Industry | | | | |
| | Input Price | Input Price Annual Change | TFP | TFP Annual Change | GDP-PI Annual Change | Input Price Annual Change | Difference |
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1984	1.000		98.4				
1985	0.995	-0.5%	98.9	0.5%	3.5%	4.0%	4.5%
1986	0.992	-0.3%	99.9	1.0%	2.8%	3.8%	4.1%
1987	1.012	2.0%	100.0	0.1%	3.1%	3.2%	1.2%
1988	1.014	0.2%	100.6	0.6%	4.0%	4.6%	4.4%
1989	0.960	-5.3%	100.3	-0.3%	4.5%	4.2%	9.5%
1990	1.083	12.8%	100.0	-0.3%	4.6%	4.3%	-8.5%
1991	1.123	3.7%	98.9	-1.1%	4.0%	2.9%	-0.8%
1992	1.088	-3.1%	100.8	1.9%	3.2%	5.1%	8.2%

TABLE 2
INPUT PRICES: 1959-1984

	Telecom Input Price Index (1)	Telecom Input Price Change (2)	US TFP (3)	GNP-PI 82 (4)	US TFP Change (5)	GNP-PI Change (6)	US Input Price Change (7)	Input Price Diff US-Teleco (8)
1959	0.429		70.6	37.6				
1960	0.439	2.4%	70.9	38.1	0.4%	1.3%	1.7%	-0.7%
1961	0.456	4.0%	72.4	38.4	2.1%	0.8%	2.9%	-1.1%
1962	0.470	3.1%	75.1	38.7	3.7%	0.8%	4.5%	1.4%
1963	0.493	4.9%	77.3	39.1	2.9%	1.0%	3.9%	-1.0%
1964	0.505	2.4%	80.5	39.6	4.1%	1.3%	5.4%	3.0%
1965	0.517	2.4%	83.0	40.1	3.1%	1.3%	4.4%	2.0%
1966	0.525	1.5%	85.5	41.1	3.0%	2.5%	5.5%	4.0%
1967	0.551	5.0%	85.8	42.1	0.4%	2.4%	2.8%	-2.2%
1968	0.585	6.1%	88.0	43.7	2.6%	3.8%	6.4%	0.3%
1969	0.601	2.7%	87.7	45.6	-0.3%	4.3%	4.0%	1.3%
1970	0.625	4.0%	87.4	47.2	-0.3%	3.5%	3.2%	-0.8%
1971	0.665	6.5%	90.2	48.8	3.2%	3.4%	6.6%	0.1%
1972	0.716	7.6%	92.8	50.3	2.9%	3.1%	6.0%	-1.6%
1973	0.763	6.6%	95.6	53.1	3.0%	5.6%	8.6%	2.0%
1974	0.800	4.8%	92.3	57.2	-3.5%	7.7%	4.2%	-0.6%
1975	0.874	9.3%	92.8	61.8	0.5%	8.0%	8.5%	-0.8%
1976	0.954	9.2%	96.4	65.1	3.9%	5.3%	9.2%	0.0%
1977	1.000	4.8%	98.5	68.4	2.2%	5.1%	7.3%	2.5%
1978	1.073	7.3%	99.2	72.7	0.7%	6.3%	7.0%	-0.3%
1979	1.104	2.9%	98.5	78.8	-0.7%	8.4%	7.7%	4.8%
1980	1.180	6.9%	96.2	86.1	-2.3%	9.3%	7.0%	0.1%
1981	1.310	11.0%	96.4	94.1	0.2%	9.3%	9.5%	-1.5%
1982	1.431	9.3%	93.3	100	-3.2%	6.3%	3.1%	-6.2%
1983	1.627	13.7%	95.4	104.1	2.3%	3.9%	6.2%	-7.5%
1984	1.656	1.8%	98.4	108.3	3.1%	3.4%	6.5%	4.7%

TABLE 3
INPUT PRICE CHANGES AND DIFFERENCES
1960-1992
AND CONFIDENCE INTERVAL

	Telecom Input Price Change (1)	US Input Price Change (2)	Diff US-Tel Input Price (3)
1960	2.4%	1.7%	-0.7%
1961	4.0%	2.9%	-1.1%
1962	3.1%	4.5%	1.4%
1963	4.9%	3.9%	-1.0%
1964	2.4%	5.4%	3.0%
1965	2.4%	4.4%	2.0%
1966	1.5%	5.5%	4.0%
1967	5.0%	2.8%	-2.2%
1968	6.1%	6.4%	0.3%
1969	2.7%	4.0%	1.3%
1970	4.0%	3.2%	-0.8%
1971	6.5%	6.6%	0.1%
1972	7.6%	6.0%	-1.6%
1973	6.6%	8.6%	2.0%
1974	4.8%	4.2%	-0.6%
1975	9.3%	8.5%	-0.8%
1976	9.2%	9.2%	0.0%
1977	4.8%	7.3%	2.5%
1978	7.3%	7.0%	-0.3%
1979	2.9%	7.7%	4.8%
1980	6.9%	7.0%	0.1%
1981	11.0%	9.5%	-1.5%
1982	9.3%	3.1%	-6.2%
1983	13.7%	6.2%	-7.5%
1984	1.8%	6.5%	4.7%
1985	-0.5%	4.0%	4.5%
1986	-0.3%	3.8%	4.1%
1987	2.0%	3.2%	1.2%
1988	0.2%	4.6%	4.4%
1989	-5.3%	4.2%	9.5%
1990	12.8%	4.3%	-8.5%
1991	3.7%	2.9%	-0.8%
1992	-3.1%	5.1%	8.2%

Average			0.7%
Std Dev.			3.8%
Count			33

Upper 5% Confidence Interval Bound	2.1%
Lower 5% Confidence Interval Bound	-0.6%

TABLE 1: SOURCE

Source:

(1)   LEC Input Price: Total Input Price, Filed as an attachment to *Response of the United States Telephone Association to Ad Hoc's Motion to Compel and Motion for Extension of Time.* CC Docket 94-1, June 2, 1994. Table 1.

(2) $\dfrac{(1)_t}{(1)_{t-1}} - 1$

(3)   Multifactor Productivy, Bureau of Labor Statistics, Multifactor Productivity Measures, 1991 and 1992, Table 1: Productivity and Related Measures, 1948-92.

(4) $\dfrac{(3)_t}{(3)_{t-1}} - 1$

(5)   Fixed-Weighted Price Index for Gross Domestic Product Percent Change, Economic Indicators, August 1994, U.S. Govt Printing Office.

(6)   U.S. Input Price Annual Change = (4) + (5) = U.S. TFP Annual Change + U.S. GDP-PI Annual Change

(7)   (6) - (2) = U.S. Input Price Annual Change - LEC Input Price Annual Change

TABLE 2: SOURCE

Source:

(1)   Direct Testimony of Laurits Christensen for US West before the North Dakota Public
        Service Commission Case No. PU-2320-90-149, Tables 3-2 and 3-5

(2) $\dfrac{(1)_t}{(1)_{t-1}} - 1$

(3)   Multifactor Productivy, Bureau of Labor Statistics, Multifactor Productivity Measures,
        1991 and 1992, Table 1: Productivity and Related Measures, 1948-92.

(4)   Fixed Weighted Price Index For GNP, 1982 weights, The WEFA Group

(5) $\dfrac{(3)_t}{(3)_{t-1}} - 1$

(6)   1960-1982: $\dfrac{(4)_t}{(4)_{t-1}} - 1$, 1983-1990: Fixed-Weighted Price Index for Gross Domestic

        Product Percent Change, Economic Indicators, August 1994, U.S. Govt Printing Office.

(7)   (5) + (6)

(8)   (7) - (2)

TABLE 3: SOURCE AND NOTES

Source:

(1)   1960-1984: Column (2) of Table 2
        1985-1992: Column (2) of Table 1

(2)   1960-1984: Column (7) of Table 2
        1985-1992: Column (6) of Table 1

(3)   (2) - (1)

1.   Formula for Average: $\bar{x} = \dfrac{1}{n}\sum x_i$

2.   Formula for Sample Standard Deviation: $S = \sqrt{\dfrac{\sum\limits_{i=1}^{n}(x_i-\bar{x})^2}{n-1}}$

3.   Formula for Upper and Lower Confidence Intervals $\bar{x} \pm t_{95} \times \dfrac{S}{\sqrt{n-1}}$

4.   The value of t_{95} is from Judge et al. *Introduction to the Theory and Practice of Econometrics, 2nd Edition*, Table 2, p. 986, at n-1 degrees of freedom is 2.038.